

Message Text

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ACTION AGRE-00

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INFO AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
USMISSION USNATO
AMCONSUL KRAKOW UNN
AMCONSUL POZNAN UNN

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 4377

E.O. 11652: GDS
TAGS: ETRD EAGR EFIN PL US
SUBJ: SECRETARY OF AGRICULTURE BERGLAND'S CALL ON PRIME MINISTER
JAROSZEWICZ

REF: WARSAW 4354 (NOTAL)

1. INTRODUCTION AND SUMMARY. SECRETARY BERGLAND'S MEETING WITH
CHAIRMAN OF THE COUNCIL OF MINISTERS PIOTR JAROSZEWICZ WAS
PROBABLY THE MOST SIGNIFICANT OF ANY OF HIS VISITS WITH POLISH
OFFICIALS DURING HIS RECENT THREE-DAY VISIT TO POLAND (MAY 18-20).
THE MEETING BEGAN AT 9:30 AM ON MAY 19 AND WENT ON FOR NEARLY
90 MINUTES, HALF AN HOUR LONGER THAN ORIGINALLY SCHEDULED.
DURING THE MEETING JAROSZEWICZ AND VICE PREMIER MIECZYSLAW
JAGIELSKI, THE NEW POLISH CO-CHAIRMAN OF THE JOINT US-POLISH
TRADE COMMISSION, EMPHASIZED CONTINUED, URGENT POLISH INTEREST
IN A LONG-TERM AGREEMENT FOR GRAIN PURCHASES FROM THE UNITED
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STATES UNDER CREDIT CONDITIONS MORE FAVORABLE THAN THOSE OFFERED
BY THE US CCC PROGRAM. THEY ALSO MADE A RENEWED PLEA FOR EASIER
REPAYMENT TERMS FOR EXISTING CCC CREDITS, STRESSED POLAND'S
EXCELLENT RECORD ON MEETING CCC AND PL-480 REPAYMENTS, AND NOTED
THAT POLAND MIGHT HAVE TO CUT BACK ON ITS IMPORTS FROM THE UNITED
STATES AS PART OF ITS PROGRAM OF TRYING TO BRING ITS BALANCE-OF-
PAYMENTS DIFFICULTIES UNDER CONTROL. SECRETARY BERGLAND EXPLAINED

NEW US AGRICULTURAL POLICIES DESIGNED TO PROVIDE MULTI-YEAR FOOD SUPPLY ASSISTANCE TO COUNTRIES IN NEED OF IT AND ALSO TO PERMIT THE US TO TAKE PART IN INTERNATIONAL FOOD SUPPLY PROGRAMS. HE ALSO EXPLAINED THE RESTRICTIONS MAKING IT IMPOSSIBLE TO LIBERALIZE CCC CREDIT TERMS BUT AGREED TO CONSULT WITH OTHER US GOVERNMENT AGENCIES REGARDING POLAND'S NEEDS. IN RESPONSE TO THE SECRETARY'S REQUEST, JAROSZEWICZ AGREED THAT POLAND WILL KEEP THE UNITED STATES INFORMED ON ITS FOOD IMPORT REQUIREMENTS. AT THE VERY END OF THE CONVERSATION, JAROSZEWICZ PROPOSED THAT THE US PROVIDE POLAND WITH CREDIT ASSISTANCE FOR THE CONSTRUCTION OF GRAIN ELEVATORS NEAR POLISH BALTIC PORTS WHICH WOULD HAVE A TOTAL STORAGE CAPACITY OF BETWEEN ONE AND TWO MILLION TONS. AS FAR AS THE EMBASSY IS AWARE, THIS IS THE FIRST POLISH GOVERNMENT PROPOSAL FOR ASSISTANCE ON CONSTRUCTION OF GRAIN STORAGE FACILITIES. END INTRODUCTION AND SUMMARY.

2. THE FOLLOWING IS BASED ON AN UNCLEARED MEMORANDUM OF CONVERSATION.

3. WELCOMING THE SECRETARY'S VISIT AS ANOTHER STEP TOWARD MUTUAL POLISH-AMERICAN UNDERSTANDING, AND ESPECIALLY AMERICAN REALIZATION OF THE IMPORTANCE FOR POLAND OF FOOD PURCHASES FROM THE UNITED STATES, JAROSZEWICZ INTRODUCED VICE PREMIER MIECZYSLAW JAGIELSKI AS THE NEW HEAD OF THE POLISH SIDE OF THE US-POLISH JOINT TRADE COMMISSION. IN A TWENTY MINUTE REVIEW OF THE CURRENT STATE OF POLISH-US ECONOMIC RELATIONS, JAGIELSKI NOTED THE SLIGHT

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DROP IN OVERALL TRADE TURNOVER LAST YEAR, POLISH INTEREST IN AN EXPANSION OF COOPERATIVE PROJECTS SUCH AS THOSE NOW UNDERWAY WITH INTERNATIONAL HARVESTER, AND POLAND'S INCREASING DIFFICULTIES IN EXPANDING EXPORTS TO THE US AND WESTERN COUNTRIES BECAUSE OF QUOTA RESTRICTIONS, ANTI-DUMPING MECHANISMS, AND AMERICAN ANTI-TRUST LEGISLATION. HE IMPLIED THAT POLAND MAY SOON BE FORCED TO CUT BACK ARBITRARILY ON ITS IMPORTS FROM THE UNITED STATES BECAUSE OF ITS INABILITY TO EXPAND EXPORTS.

4. JAGIELSKI'S PRIMARY FOCUS, HOWEVER, WAS ON LONG-TERM POLISH PURCHASES OF AMERICAN GRAIN AND POLAND'S URGENT NEED TO SECURE CREDIT TERMS WHICH WOULD BE SUBSTANTIALLY MORE FAVORABLE THAN THOSE AVAILABLE UNDER CCC PROGRAMS. (THIS SUBJECT WAS THE MAJOR THEME IN ALL OF SECRETARY BERGLAND'S MEETINGS IN WARSAW.) CITING POLAND'S A-1 RECORD FOR PAYING ALL DEBTS ON TIME AND NEVER HAVING ASKED FOR A MORATORIUM ON PL-480 REPAYMENTS, JAGIELSKI REPEATED EARLIER POLISH GOVERNMENT PROPOSALS TO BUY THREE TO FOUR MILLION TONS OF GRAIN PER YEAR FROM THE US OVER THE NEXT SEVERAL YEARS, WITH THE FIGURE POSSIBLY INCREASING AT TIMES TO FIVE OR SIX MILLION TONS. DESCRIBING CCC TERMS AS VERY PAINFUL, HE ASKED FOR AN EASIER REGIME -- REPAYMENT OVER TEN YEARS, A GRACE PERIOD, AND LOWER INTEREST RATES. IN MAKING THIS REQUEST HE EMPHASIZED

THE UNUSUAL HARDSHIP POLAND HAS SUFFERED AS A RESULT OF FOUR
STRAIGHT YEARS OF BAD HARVESTS.

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5. SECRETARY BERGLAND RESPONDED THAT THE UNITED STATES IS AWARE
OF THE STRENGTH AND CHARACTER OF THE POLISH PEOPLE AND WANTS TO
HELP THEM. HE NOTED THAT THE US EVALUATION OF POLAND'S ECONOMIC
PROBLEMS COINCIDES CLOSELY WITH POLAND'S OWN EVALUATION. HE
EXPLAINED THAT AFTER YEARS OF ENDURING SERIOUS FLUCTUATIONS IN
FOOD PRICES, AT TIMES HAVING TOO MUCH FOOD AND HAVING TO SELL IT
BELOW COST, THE US GOVERNMENT HAS MADE SOME BASIC CHANGES IN ITS
POLICIES ON EXPORT OF FOOD TO OTHER COUNTRIES. NOW, THE US IS
ORGANIZING MULTI-YEAR FOOD AID PROGRAMS AND IS ALSO PARTICIPATING
IN INTERNATIONAL FOOD SUPPLY AND COMMODITY PROGRAMS TO HELP
STABILIZE WORLD PRICES. ONE NEW RESULT OF THIS POLICY IS US
GOVERNMENT PAYMENTS TO FARMERS TO STORE SURPLUS GRAIN PRODUCTION
RATHER THAN SELL IT AT A LOSS OR REDUCE CROP ACREAGE.

6. THE SECRETARY EXPLAINED THAT POLAND'S CREDIT REQUESTS ARE
VERY DIFFICULT FOR THE DEPARTMENT OF AGRICULTURE TO HANDLE.
THE USDA CANNOT CHANGE CCC CREDIT CONDITIONS. HOWEVER, USDA IS
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PREPARED TO DISCUSS POLAND'S CREDIT NEEDS WITH OTHER US GOVERNMENT AGENCIES AND WILL TRY TO FIND SOME ACCOMMODATION. IN THIS CONNECTION, IT IS VERY IMPORTANT FOR THE UNITED STATES TO KNOW AS PRECISELY AND AS FAR IN ADVANCE AS POSSIBLE WHAT POLAND'S IMPORT NEEDS WILL BE. ALTHOUGH THE US HAS EIGHT TO TEN MILLION TONS OF CROPLAND IN RESERVE, IT TAKES TWO TO THREE YEARS TO BRING IT INTO PRODUCTION.

7. IN RESPONSE TO A QUESTION BY JABIELSKI ON THE POSSIBILITY OF MAKING CCC REPAYMENTS AT THE END OF THE THREE-YEAR PERIOD, THE SECRETARY, ASSISTED BY ASSISTANT SECRETARY DALE HATHAWAY, EXPLAINED WHY IT WOULD NOT BE. THEY NOTED IN PARTICULAR THE ADDITIONAL COSTS WHICH SUCH A SCHEME WOULD INCUR BECAUSE OF HIGHER INTEREST RATES AND THE NEED TO SHIP 50 PERCENT OF THE GRAIN IN U.S. BOTTOMS.

8. DR. HATHAWAY ALSO SAID THAT LEGISLATION HAS BEEN PROPOSED TO EXTEND CCC CREDITS FROM THREE TO TEN YEARS. HE POINTED OUT THAT THERE WAS, HOWEVER, NO GUARANTEE THAT THIS LEGISLATION WOULD BE PASSED AND THAT EVEN IF IT WERE, THE REQUIREMENTS IMPOSED BY INTERNATIONAL COMMODITY ORGANIZATIONS PREVENT SUCH LONG-TERM REPAYMENTS FROM APPLYING TO GRAIN PURCHASES. INSTEAD, THEY WOULD APPLY PRIMARILY TO BREEDING LIVESTOCK AND FACILITIES FOR FEED PRODUCTION.

9. PRIME MINISTER JAROSZEWICZ CONCLUDED THE MEETING WITH ASSURANCES THAT POLAND WILL KEEP THE UNITED STATES INFORMED ON ITS FOOD IMPORT REQUIREMENTS. HE ASSURED THE SECRETARY THAT ANY LONG-TERM AGREEMENT WITH POLAND FOR THE SALE OF US GRAIN WOULD NOT BE A MISTAKE. DURING THE LAST FEW MINUTES OF THE MEETING, HE MADE ANOTHER PROPOSAL: THAT THE UNITED STATES CONSIDER CONSTRUCTION OF GRAIN ELEVATORS ON POLAND'S BALTIC COAST. THE ELEVATORS WOULD HAVE A STORAGE CAPACITY OF BETWEEN ONE AND TWO

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MILLION TONS AND COULD BE USED TO STORE US GRAIN BEING SHIPPED TO POLAND AND ELSEWHERE IN EASTERN EUROPE. HE SUGGESTED THAT THIS PROJECT, AS WELL AS GRAIN SALES, COULD ALSO BE FINANCED UNDER US CREDITS.
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